Exhibit Z44

INVESTORSINSIGHT.com
Financial Intelligence for the Informed Investor

Mortgage Bailout Passes, Finally - Now What?

IN THIS ISSUE:

- An Inside Look At The Mortgage Bailout Bill
- Equity Ownership & Limits On Executive Pay
- Mortgage Assistance & The Bankruptcy Code
- Expanded FDIC Limits On Bank Accounts
- Was The Bailout The Right Thing To Do?
- The Senate's $150 Billion In Extra Bailout Pork
- John McCain Blew An Election Saving Opportunity
- Electoral Map Now Leaning Heavily To Obama
- Scotia Partners - Making Money In The Bear Market

Introduction

The massive $700+ billion bailout package finally passed Congress and was signed into law by President Bush late last Friday, to the dismay of millions of Americans. The House rejected the huge bailout bill on Monday, and the Dow Jones promptly plunged a record 777 points on that same dey. Fearing the worst, the Senate amended the bailout with another $150 billion in pork and passed it overwhelmingly on Wednesday, with both Senators Obame and McCain voting in favor. On Friday, the House passed the bill by a comfortable margin.

This emergency bailout plan supposedly had only one goal: to allow the government to hoover up hundreds of billions in distressed mortgage-related securities from banks and financial firms to shore up our faltering banking and credit markets. No one knows if this rescue plan will work, or if the government will need even more money later. We'll discuss all of this as we go along.

The Senate passage of the $700 billion bailout bill on Wednesday included, drum roll please, yet another $150 billion in mostly pork barrel spending, bringing the final cost to **$850+ billion.** Why was this extra spending necessary? I would argue that the extra $150 billion in pork was added to buy more "yes" votes for the bailout plan in the Senate and sweeten the odds for passage in the second vote in the House. Wait until you read what they added below (hint: they think we are all idiots!).

I did not think that Secretary Paulson's initial $700 billion bailout plan was the best approach, with no accountability, no transparency and no oversight. That was never going to work or be passed. Actually, I would have preferred one of the alternative rescue plans that would have involved government loans and insurance for ailing banks rather than the Treasury buying up distressed assets directly. But John McCain never got behind such alternative plans, so they fizzled, and now his presidential campaign is in real trouble.

There is so much to talk about this week I'm not sure where to start, but I think the best place to begin is with a summary of the latest bailout bill, now that it has become the law of the land. We will also take a look at the extra $150 billion in pork that the Senate added to the bill. Next, we'll revisit John McCain's latest moves and the Electoral Map, which shows him falling fast in the polls.

Finally, we will revisit **Scotia Partners**, a very successful money manager that I have written about several times this year - and for good reason. As you can read at the end, Scotia is one of the few money managers that has done well in this bear market in stocks. As always, past performance is no guarantee of future results.

An Inside Look At The Mortgage Bailout Bill

Since my company is intimately involved in the securities business, and since government regulation of the securities business gets more complex every year, we engage top-notch law firms to help us sort through the regulatory maze. One of our main legal firms is **Sidley Austin LLP**, one of the leading law firms in the industry.

Sidley Austin released a detailed summary of the latest government bailout bill, and its possible ramifications, on Friday of last week. We appreciate these periodic reviews from our attorneys, and the ability to share them with our clients and readers. What follows is my abbreviated summary of Sidley's latest analysis of the final bailout bill.

On October 3, the House of Representatives passed the **"Emergency Economic Stabilization Act of 2008,"**(the "Act") which authorized up to $700 billion in new government spending (actually more than that) to bail out banks and financial institutions that hold troubled mortgage and related debt. The Act will create a **"Troubled Asset Relief Program"** ("TARP") which will be overseen by the Treasury and will be the vehicle in which distressed assets are purchased from banks and other sellers of mortgage-related securities.

The Act authorizes up to $700 billion to the Treasury Secretary to enable TARP to purchase and fund commitments to purchase "troubled assets" from "financial institutions." Financial institutions, in this case, are defined as those which are established and regulated under federal or state law, or have significant operations in the US (in the case of foreign entities). The Act suggests that financial institutions would include, but would not be limited to: banks, savings and loans, credit unions, broker-dealers and insurance companies. The 'but not limited to' language gives the Treasury significant flexibility in determining which entities may participate in the TARP.

"Troubled assets" initially include residential or commercial mortgages and any securities, obligations or other instruments that are based on or related to such mortgages originating on or before March 14, 2008. Yet the language also authorizes the Treasury Secretary, in consultation with the Fed Chairman, to purchase any other financial instruments they deem necessary to promote financial market stability, but such non-mortgage related asset purchases must be reported to the Congress. Again, the scope of potential asset purchases is very large.

The Act provides up to $700 billion to the Treasury, but unlike the original proposal, the Act will make only $250 billion available in the first tranche, with the next $100 billion coming upon the President's request, and the final $350 billion subject to a joint resolution of Congress.

The Act states that the Treasury can establish programs, vehicles or entities that are authorized to purchase troubled assets, manage the assets and dispose of them over time. I predict this will result in dozens of newly-created government agencies and sub-agencies and many new federal employees (presumably dominated by out-of-work ex-bankers) under the Treasury.

The Treasury Secretary is directed to minimize taxpayer expense by encouraging the private sector to participate in purchases of troubled assets, and to invest in financial institutions, thereby providing opportunities for private funds looking to leverage the TARP as a partner rather than a competitor. Here, too, the Secretary has broad flexibility in such partnership arrangements. However, the Secretary is required under the Act to take steps to avoid the ***"unjust enrichment"*** of any financial institutions that participate in the TARP. This will be tricky to enforce.

Interestingly, the Act stipulates that the Treasury ***"must make available to the public in electronic form the description, amount and pricing of assets it acquires pursuant to the Act within 48 hours of purchase, trade or other disposition."*** This language was included to require "transparency," meaning that the public will know what the Treasury is paying for the assets it purchases. This requirement is intended to make clear that there is a market for these distressed mortgage-related assets and what the government is paying for them.

I would point out that while some Americans may appreciate knowing what the Treasury is paying for these distressed assets, and while this knowledge may help in freeing up liquidity in these markets, there is little doubt that potential buyers of these same securities down the road will take what the government paid for then into account when submitting offers to buy these same securities in the future.

Equity Ownership & Limits On Executive Pay

Then there is the matter of the Treasury taking equity positions in those financial institutions that sell assets to the TARP. The Act requires that the Treasury receive either warrants with the right to receive non-voting common or preferred shares from participating public companies, or a senior debt instrument in cases where the selling company is not listed on a national securities exchange.

As I read it, this process will be very complicated since the Act envisions that the Treasury will get a large enough position in potential ownership (warrants) or debt to cover any losses it might incur when it eventually sells the assets down the road. If so, this suggests that the Treasury could require a large stake in the institutions wishing to unload toxic securities, which could discourage participation.

This, of course, also brings up the question we have had all along: How does the Treasury value many of these very complex and esoteric mortgage-related instruments? Many of these credit swaps, CDOs and derivatives are extremely hard to value, which is a big reason why we are now in a credit crisis.

Next is the matter of limiting executive compensation for those companies that wish to participate in the program. In addition to requiring an equity position in the companies wishing to sell assets to the TARP, the Act also requires the Treasury to limit the compensation paid to top executives of the participating companies, especially in terms of undue bonuses and so-called "golden parachutes." Specifically, the Act changes the tax code (Section 162m) such that the corporate salary tax deduction is reduced from the current $1 million to only $500,000.

These compensation changes include the top five executives in each participating company. This effectively will put a ceiling of $500,000 on the salaries of the top five execs of the participating companies, plus whatever bonuses, if any, that are allowed by the Treasury Secretary. Again, it remains to be seen just how many companies will take the equity hit and the executive compensation hit required to participate in the bailout program.

Next, we turn to the insurance provisions in the Act. In a concession to Republican opponents of the original Treasury plan, the Secretary is required to create a program for the guarantee of troubled assets, as an alternative to straight asset purchases. Under this plan, the Treasury could agree to insure troubled assets on the books of participating companies. Upon request from a financial institution, the Secretary may guarantee, on terms established by the Secretary, the timely payment of principal and interest on a troubled asset. Frankly, I don't understand how this insurance mechanism will work, but it is not clear that the Treasury will even make use of it.

Mortgage Assistance & The Bankruptcy Code

One of the most troubling aspects to the proposed bailout (at least for conservatives) was the suggestion that the Bankruptcy Code should be changed so as to allow bankruptcy judges to unilaterally modify terms of mortgage loans. The Act does not contain any such amendments to the Bankruptcy Code that would permit so-called ***"cram downs"*** by bankruptcy judges. However, the Act does contain provisions designed to insure that the government uses its vast powers as the owner of mortgages and mortgage-backed securities to facilitate loan modifications (such as reduced interest rates, principal amounts, monthly payments and/or extended time of repayment) in order to prevent avoidable foreclosures.

In fact, the Act requires the Treasury to implement a plan that seeks to maximize assistance to homeowners and to encourage servicers of underlying mortgages to take advantage of programs to minimize foreclosures, including the HOPE for Homeowners Program under Section 257 of the National Housing Act. Also, the Treasury is authorized to use loan guarantees and credit enhancements to facilitate loan modifications to prevent avoidable foreclosures.

Expanded FDIC Limits On Bank Accounts

In an effort to shore up confidence among depositors, Congress added a provision to the bailout bill to increase FDIC insurance from $100,000 per account to $250,000 per

account beginning on October 3 and until December 31, 2009. While the Act provides this increased limit temporarily, the FDIC Chairman, Sheila Bair, said that she expects Congress to make the increase permanent later this year. If the credit crisis continues, I would expect Congress to insist that the government guarantee all amounts in bank accounts and credit unions, as it has already done for money market mutual funds.

Previously, to ensure that more than $100,000 was covered by FDIC insurance, many consumers had spread cash among multiple banks, especially in recent weeks. People had also been setting up separate accounts in each spouse's name at the same bank, which provided $100,000 for each of the two separate accounts, plus a joint account (husband and wife) which doubled the coverage to $200,000 - or $400,000 total for all three accounts. Under the financial rescue plan which raises the coverage to $250,000, this combination of a joint account and a separate account in each spouse's name will result in $1 million total coverage.

Was The Bailout The Right Thing To Do?

As noted earlier, I would have preferred one of the alternative rescue plans that would have involved government loans and insurance for ailing banks, rather than the Treasury buying up distressed assets directly. But what was abundantly clear was the fact that *something* had to be done. The financial markets around the world were seizing up, and we were facing an international credit crisis, which may yet be far from over.

So while the $700+ billion bailout, with the government directly buying up hundreds of billions in distressed mortgage-related securities, was not my first choice, the government had to take action in my opinion. Millions of Americans were outraged over the bailout plan and many still are. Yet the market plunge of 777 points in the Dow on Monday of last week, after the House failed to pass the bailout, certainly sent a signal to many Americans that the situation was growing dire.

While the summary of the bailout bill above should be helpful, there is still much that we don't know. We still don't know, for example, how the Treasury will price the assets it will be buying, especially in light of the new wrinkles such as the equity stake they will demand from the participating companies. Will the government pay too much, to the expense of taxpayers? Will they pay too little, thus causing more waves of failures? We don't know.

Likewise, we don't know if the $700 billion will be nearly enough. Estimates vary widely, but it is generally agreed that there is at least $2 trillion in troubled mortgage-related paper out there, just in the US. Fortunately, it is also generally agreed that not all of that $2 trillion in subprime and other mortgage-related paper is worthless. That remains to be seen, of course.

The next question is, when will we know if the bailout is working? A lot may depend on when it begins. Some suggest that it will be several months before the Treasury gets the bailout plan up and running. There is a feeling that it may have to wait until after the new administration gets into power on January 20. Personally, I don't think we can wait that long.

Clearly, the markets will let us know, loud and clear, whether the new bailout plan is an acceptable option, and just how soon it needs to get up and running. I for one do not believe the bailout plan passed last Friday is a panacea, and I certainly expect the markets to continue to be a wild roller coaster just ahead. Yesterday (Monday) was a good example when the Dow Jones plunged 800 points by mid-day before reversing to close down 363, or 3.5%, on the day.

The Senate's $150 Billion In Extra Bailout Pork

Politicians on both sides of the aisle in Washington have one universal solution for solving serious issues: **When in doubt, just throw more taxpayer money at the problem.** This line of thinking certainly came into play when the House failed to pass the massive bailout plan on Monday of last week. The Senate wasted no time in adding on another $150 billion to the already massive $700 billion bailout plan.

There was enormous pressure to pass some kind of massive bailout plan, especially with Bush, Bernanke and Paulson warning of financial Armageddon. So what was the Senate's first thought as to what it should do? Let's add even more money to the tab so as to make it easier for House members to change their votes. This is sick! Here is a summary of the last minute add-ons:

- The Senate extended provisions to exempt many Americans from the Alternative Minimum Tax, which was never intended to affect millions of middle class Americans. Never mind that Congress does not have the guts to address this egregious tax measure directly and eliminate it.
- Another provision added in the Senate would require most employers and health insurers to put mental-health problems on par with physical illnesses, including coverage for hospital stays and doctor visits as well as co-payments and deductibles.
- The Senate bill also added in several more key elements designed to attract House Republican votes - particularly popular tax measures that have garnered bipartisan support. It would extend a number of renewable energy tax breaks for individuals and businesses, including a deduction for the purchase of solar panels. It would also continue a host of other expiring tax breaks, among them the research and development credit for businesses and the credit that allows individuals to deduct state and local sales taxes on their federal returns. And there's more.
- $397 million for the "domestic production activities deduction" for the motion picture industry, and another $81 million to extend and modify treatment of "certain film and television productions."
- $179 million for tax incentives for "investment in the District of Columbia." $100 million in tax breaks for "certain motorsports racing track facilities." $61 million in added credits for "steal industry fuel."
- $49 million in tax breaks for people (mostly in Alaska) receiving compensation from the litigation over the Exxon Valdez oil spill. $49 million for a charitable deduction for corporations that donate books to libraries. $33 million for an economic development credit in Amarican Samoa. $2 million in excise tax exemption on "certain wooden arrows designed for use by children."

These are just some examples of the many spending measures that were added to the $700 billion bailout plan in the Senate. We can argue about the importance of these expensive add-ons, but they never should have been a part of a financial system rescue plan in my opinion. In total, these so-called "sweeteners" (formerly known as 'earmarks') were included in the Senate version at a cost to taxpayers of at least $150 billion bringing the total tab for the emergency bailout bill to over **$850 billion.**

What is clear is that these huge add-ons in the Sanate were designed to give more House members "cover" so that they could switch their votes in favor of the bailout package. Never mind the cost to taxpayers. And it worked. The bailout bill passed in the House rather easily last Friday. Such is the twisted political world we live in.

John McCain Blew An Election Saving Opportunity

I really hesitate to throw in this last point, but I shall. In my view, Senator McCain blew the last opportunity he had to save his presidential campaign with his vote in favor of the massive government bailout plan. Senator McCain has accurately portrayed himself as a political 'maverick' that has frequently gone against the Republican Party on numerous contentious issues over the years. That is why he is not so popular among the GOP faithful.

With public sentiment so overwhelmingly negative over this massive bailout bill, it would have been easy for either McCain or Obama to come out against it. But Obama quickly got behind the bailout. If McCain had come out against it, and in favor of one of the alternative plans (or better yet, offered a plan of his own), he could have generated a potentially large shift in public opinion in his favor. But he didn't for reasons unknown.

As the maverick on curtailing wasteful spending, McCain could have easily justified his vote against the bill, especially with the extra $150 billion in largely pork-barrel spending put in by the Senate, in which he is a member, but he didn't. Like Obama, McCain quickly fell into line.

For the first time during this presidential campaign, Senator McCain pulled ahead of Obama shortly after the successful Republican National Convention. But then the mortgage-related financial crisis began to unfold. The media, not surprisingly, laid the blame on the Bush Administration (what else is new), and McCain's lead in the presidential polls evaporated.

Over the last 2-3 weeks as the financial crisis rose to the front pages, McCain's showing in the polls has worsened by the day. The presidential election is far from over, but as this is written, Senator McCain is behind by 5-6-7 points or more in the national polls. He will need a major gaffe by Obama, or some other serious surprise, to

Exhibit Z45

Troubled Asset Relief Program (TARP)

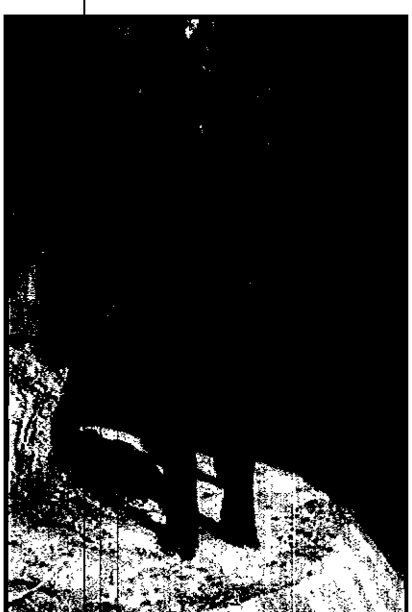
Analysis, News & Insights on the Troubled Asset Relief Program

---

Bailout Pork

What changed between the Bailout Bill rejected on 28.Sept and the Bailout Bill accepted on 3.Oct is a whole lot of pork barrel politics. In a very useful side-by-side tracker you can see the exact differences.

- Sec. 503: Exemption from excise tax for wooden arrows designed for use by children. This shameful pork comes from Oregon senators, and is worth $200,000 to Rose City Archery in Myrtle Point, Oregon
- Sec. 317: Seven-year cost recovery period for a car race track
- Sec. 308: Increase in limit on cover over of rum excise tax to Puerto Rico and the Virgin Islands
- Sec 502: Incentives for films to be shot in the United States, including those for adults
- Sec. 211: Bicycle commuter benefits that allow employers to pay for employee bike repair
- Sec. 325. Duty suspension on wool products and wool research fund and wool duty refunds
- Sec. 201. Changes in bonus depreciation for biomass ethanol plant property



A Bush Pig (honestly, it is the name of this breed!)

This sort of bailout pork is just destined to inhibit the natural cycle of Chapter 11 filing and reorganization of bankrupt companies.

If Americans didn't know that their political system was as rotten as their financial system they do now.